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HOLD
TP: Rs 1,121 | ▼ 4%

JSW STEEL | Metals & Mining | 18 October 2025

Growth to sustain in H2; driven by demand and prices

- **Q2 results were better than expectation, due to strong volume growth and lower costs, despite subdued realisation**
- **Pricing environment likely to improve in H2FY26E on seasonally strong period; stability seen in the month of September**
- **Raise TP to Rs1,121 (from Rs1,074) with a multiple of 7.5x Sept.27 EBITDA. We retain HOLD rating on the stock**

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Results above expectation on strong volume growth & lower cost: Revenue came at Rs445bn, (+14.0%YoY, +4.9%QoQ), was 1% above our estimates. EBITDA came at Rs71bn (+30.9%YoY, -6.1%QoQ), was 0.2% above our estimates. Excl. forex impact of long-term borrowings, adj. EBIYDA came at Rs78bn, was 11% above our estimates due to strong volume growth of 20%YoY and lower cost. Standalone EBITDA/t was Rs8,446; adj. EBITDA/t was Rs9,392, higher by 6%YoY.

Volumes: Standalone volumes came at 5.8mnt, higher by 10%YoY. Consolidated India volumes were up by 19%YoY vs domestic demand growth of 9%YoY due to the ramp-up of new capacity. Domestic utilisation was 92% in Q2FY26 vs 91% in Q2FY25; and 87% in Q1FY26.

Domestic pricing outlook: Realisation declined by 3%YoY and 6%QoQ. QoQ decline is despite the safeguard duty, as imports spiked QoQ by 36% due to the tariff imposed by various countries. Spot HRC prices are at a discount of 2-3% to import parity, though have stabilised in September. Management sees improvement in pricing in Q3, aided by GST reforms and rural demand with above normal monsoon. Going forward, management expects a rise of USD3-5/tonne in coking coal cost in Q3FY26 and decline in iron ore cost.

Expansion project: JSTL is on track to increase domestic steel capacity from the current 34.2mnt to 41.9mnt by Sept'27. Vijaynagar 5mnt project is fully commissioned and is ramping up well. This will drive 10%CAGR volume growth over FY25-FY28E.

Maintain HOLD: As management is optimistic about demand and a pick up in the pricing in H2FY26, we expect performance to improve in H2. We maintain HOLD with a revised TP of Rs1,121 (from Rs1,074) with a multiple of 7.5x Sept27 EBITDA, assigning premium to its capacity execution capability.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	JSTL IN/Rs 1,163
Market cap	US$ 32.3bn
Free float	55%
3M ADV	US$ 19.7mn
52wk high/low	Rs 1,179/Rs 880
Promoter/FPI/DII	45%/25%/11%

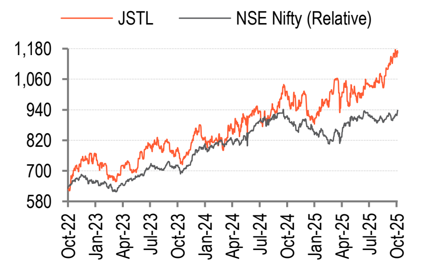
Source: NSE | Price as of 17 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs bn)	1,688	1,913	2,162
EBITDA (Rs bn)	229	363	434
Adj. net profit (Rs bn)	40	122	169
Adj. EPS (Rs)	16.4	49.9	69.3
Consensus EPS (Rs)	16.4	49.9	69.3
Adj. ROAE (%)	5.1	14.3	17.1
Adj. P/E (x)	71.1	23.3	16.8
EV/EBITDA (x)	15.7	9.9	8.2
Adj. EPS growth (%)	(51.4)	204.7	38.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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Fig 1 – Quarterly performance

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Revenue	445,600	391,040	14.0	424,600	4.9	870,200	814,410	6.9
EBITDA	71,150	54,370	30.9	75,760	(6.1)	146,910	109,470	34.2
EBITDA margin (%)	15.97	13.90	14.8	17.84	(10.5)	16.90	13.46	25.6
Depreciation	25,540	22,670	12.7	25,370	0.7	50,910	44,760	13.7
Interest	24,130	21,300	13.3	22,170	8.8	46,300	42,030	10.2
Other income	2,840	1,530	85.6	3,500	(18.9)	6,340	3,170	100.0
PBT	24,320	11,930	103.9	31,720	(23.3)	54,160	21,690	149.7
Tax	6,980	3,850	81.3	8,630	(19.1)	15,610	8,980	73.8
Reported PAT	16,230	4,390	269.7	21,840	(25.7)	38,070	12,840	196.5
Exceptional item	0	(3,420)	-	0	NA	0	(3,420)	-
Adj PAT	16,230	7,810	107.8	21,840	(25.7)	38,070	16,260	134.1
Adj. PATM (%)	3.6	2.0		5.1		4.4	2.0	
EPS (Rs)	6.7	3.2	107.8	9.0	(25.7)	15.6	6.7	134.1

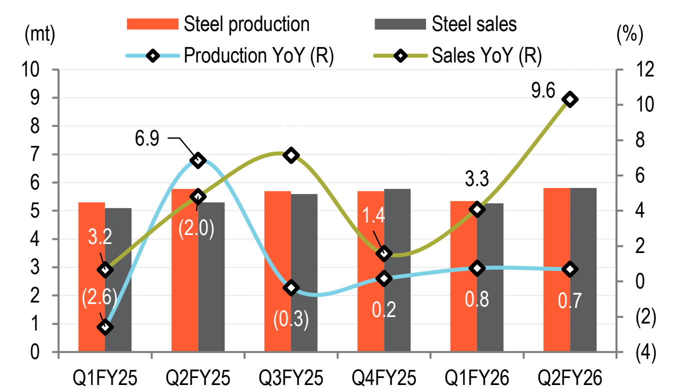
Source: BOBCAPS Research

Fig 2 – Standalone parameters

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Steel sales (mn t)	5.8	5.3	9.6	5.3	10.5	11.1	10.4	6.5
Realization (Rs./t)	55,205	57,170	(3.4)	58,416	(5.5)	56,731	60,176	(5.7)
EBITDA (Rs/t)	8,446	8,757	(3.5)	10,618	(20.5)	9,478	8,581	10.4

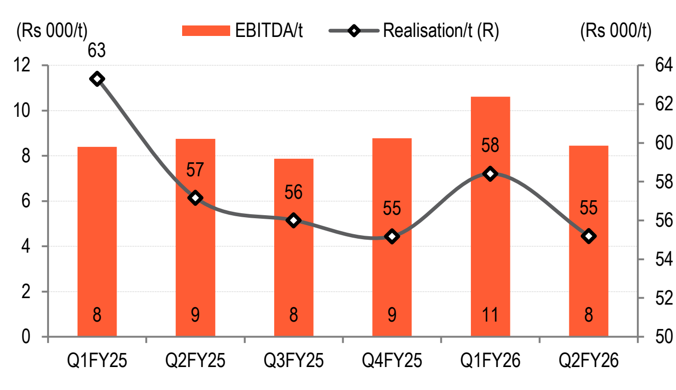
Source: BOBCAPS Research

Fig 3 – Production and sales trend



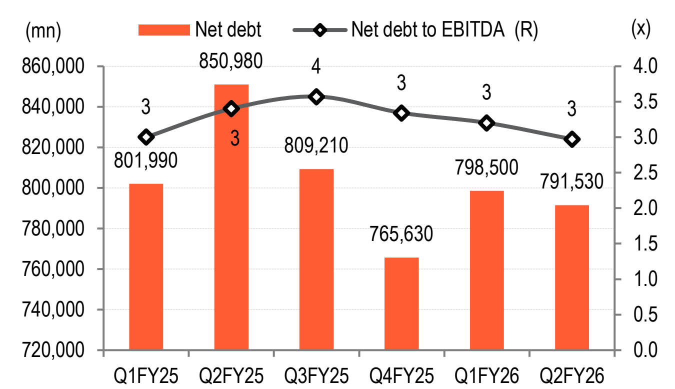
Source: BOBCAPS Research

Fig 4 – Realisation & EBITDA trend



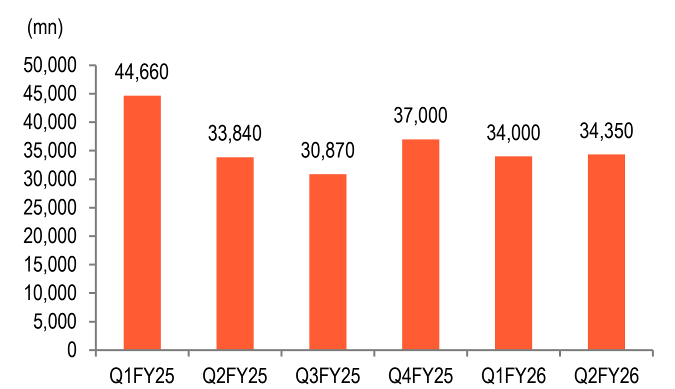
Source: BOBCAPS Research

Fig 5 – Leverage



Source: BOBCAPS Research

Fig 6 – Capex



Concall Highlights

- **Volumes:** JSW Steel expects 8-9% volume growth in the industry for FY26E. Management guided for better production/sales volume performance in H2FY26E. Exports share was 10% during the quarter and will likely stay around these levels, considering the challenging global conditions in terms of tariffs.
- **Pricing:** Prices declined despite strong demand. Spot HRC prices have stabilised now and are at a discount of 2-3% to import parity pricing. Management expects pricing to improve in H2, aided by GST reforms and rural demand.
- **Cost guidance:** Management expects a rise of USD3-5/tonne in coking coal cost in Q3FY26E as also reduction in iron ore cost pricing, due to sufficient inventory.
- Iron ore – Currently, there are 12 mines - 9 in Karnataka, and 3 in Odisha. Three new mines in Karnataka are expected to start in Q1FY27E, which will likely produce 4mnt. The company has won 3 mines in Goa, which are all expected to contribute 3.7mnt by the end of FY27E. Captive iron ore mining usage stood at 30% in Q2FY26. It targets to have 30-40% captive iron ore sourcing in FY26E.
- Coking coal mines – It secured 3 coking coal mines in eastern India, which are expected to start operations in next 2-3years and produce 3.2-3.5mnt. Further, has 30% stake in Illawarra metallurgical coal in Australia and is in the process of acquiring Minas de Revuboe deposit in Mozambique. This is expected to benefit in lowering cost.
- **Capex and capacity additions:** 5.0mnt at Dolvi Ph-III expansion from 10.0 to 15.0mnt is in progress. Expansion of 5mnt at Dolvi to be commissioned by September 2027 with long lead items having been ordered. These will ramp up capacity from the current 34mnt to 42mnt by Sept.27. The company plans to take the capacity to 50mnt by FY31E; incurred a capex of 34,350mn in Q2 and Rs68,350mn in H1FY26. They guided a capex of Rs200,000mn for FY26E.
- **Net debt:** Consolidated net debt (reported) increased to Rs792bn on Sept25 from net debt of Rs766bn on Mar.25. Net D/E stood at 0.9x and Net D/EBITDA at 3x. Management expects to maintain net D/EBITDA below 3x.

Valuation Methodology

Management has maintained a positive outlook on demand and improvement in prices in H2FY26E – citing stronger H2 seasonality. We estimate 10% CAGR volumes growth over FY25-FY28E period. Ramp-up in projects and future expansion will benefit volumes, leading to EBITDA growth and expansion in EBITDA per tonne. At the CMP, on EV/EBITDA - the stock is trading at 8.2x FY27E and 7.5x FY28E and at a P/BV of 2.7x FY27E and 2.3x FY28E.

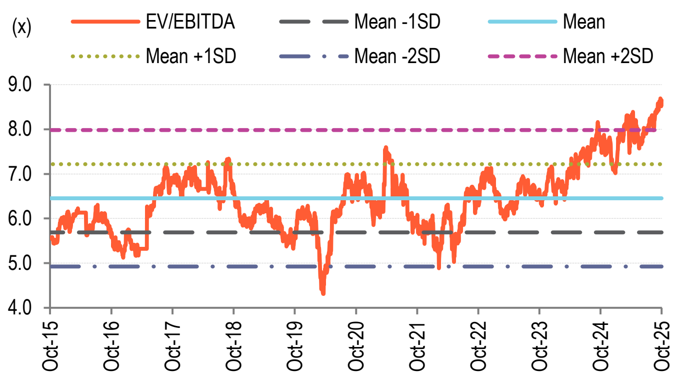
We maintain HOLD with a revised TP to Rs1,121 (from Rs1,074) with a multiple of 7.5x Sept27 EBITDA vs earlier 7.0x, assigning a premium to its capacity execution capability and ramp-up of assets.

Fig 7 – Valuation

Particulars	Sept.27 EBITDA (Rs mn)	Multiple (x)	Value (Rs mn)	Rs/share
JSW Steel	447,742	7.5	3,358,062	1,376
Less - Net debt			826,720	339
CWIP			204,780	84
Target price				1,121

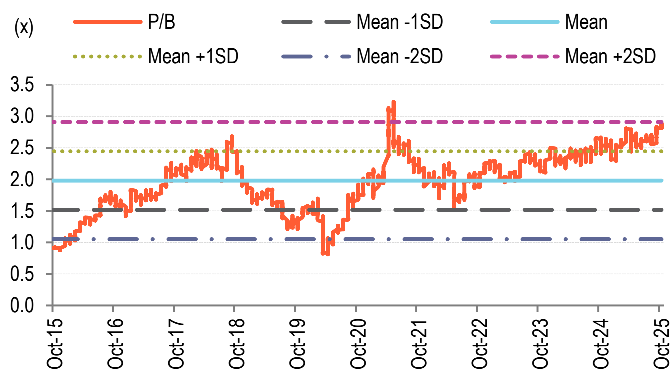
Source: BOBCAPS Research

Fig 8 – EV/EBITDA 2YF



Source: BOBCAPS Research, Bloomberg

Fig 9 – P/B 1YF



Source: BOBCAPS Research, Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**1,750**	**1,688**	**1,913**	**2,162**	**2,363**
EBITDA	282	229	363	434	462
Depreciation	(82)	(93)	(109)	(118)	(127)
EBIT	201	136	254	316	335
Net interest inc./(exp.)	(81)	(84)	(80)	(74)	(69)
Other inc./(exp.)	10	7	7	7	7
Exceptional items	6	(5)	0	0	0
EBT	136	54	181	250	273
Income taxes	(44)	(16)	(56)	(77)	(85)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(2)	(3)	(3)	(3)	(3)
Reported net profit	**88**	**35**	**122**	**169**	**185**
Adjustments	(6)	5	0	0	0
Adjusted net profit	**82**	**40**	**122**	**169**	**185**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	157	120	136	154	168
Other current liabilities	317	343	343	343	343
Provisions	4	3	3	3	3
Debt funds	856	960	940	860	810
Other liabilities	150	165	165	165	165
Equity capital	3	3	3	3	3
Reserves & surplus	774	792	906	1,067	1,243
Shareholders' fund	798	817	931	1,092	1,268
Total liab. and equities	**2,282**	**2,407**	**2,518**	**2,616**	**2,757**
Cash and cash eq.	123	133	144	147	213
Accounts receivables	75	84	90	96	98
Inventories	378	350	401	460	509
Other current assets	68	83	83	83	83
Investments	74	96	96	96	96
Net fixed assets	1,051	1,168	1,209	1,241	1,265
CWIP	292	205	205	205	205
Intangible assets	66	68	68	68	68
Deferred tax assets, net	0	0	0	0	0
Other assets	228	259	259	259	259
Total assets	**2,282**	**2,407**	**2,518**	**2,616**	**2,757**

Cash Flows

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**172**	**207**	**272**	**317**	**347**
Capital expenditures	(231)	(126)	(150)	(150)	(150)
Change in investments	(25)	(80)	0	0	0
Other investing cash flows	(28)	(9)	0	0	0
Cash flow from investing	**(284)**	**(215)**	**(150)**	**(150)**	**(150)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	67	104	(20)	(80)	(50)
Interest expenses	(81)	(84)	(80)	(74)	(69)
Dividends paid	18	7	7	8	9
Other financing cash flows	24	(9)	(18)	(19)	(21)
Cash flow from financing	**28**	**17**	**(111)**	**(165)**	**(131)**
Chg in cash & cash eq.	**(84)**	**9**	**11**	**3**	**66**
Closing cash & cash eq.	**123**	**133**	**144**	**147**	**213**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	36.1	14.4	49.9	69.3	75.8
Adjusted EPS	33.7	16.4	49.9	69.3	75.8
Dividend per share	7.3	2.8	3.1	3.3	3.6
Book value per share	318.3	325.8	372.6	438.6	510.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.0	2.1	1.9	1.6	1.5
EV/EBITDA	12.4	15.7	9.9	8.2	7.5
Adjusted P/E	34.5	71.1	23.3	16.8	15.3
P/BV	3.7	3.6	3.1	2.7	2.3

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	63.4	67.9	67.3	67.7	67.8
Interest burden (PBT/EBIT)	64.6	43.2	71.1	79.0	81.5
EBIT margin (EBIT/Revenue)	11.5	8.1	13.3	14.6	14.2
Asset turnover (Rev./Avg TA)	79.7	72.0	77.7	84.2	87.9
Leverage (Avg TA/Avg Equity)	3.1	3.0	2.9	2.6	2.3
Adjusted ROAE	11.5	5.1	14.3	17.1	16.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	5.5	(3.5)	13.3	13.0	9.3
EBITDA	52.2	(18.9)	58.6	19.4	6.4
Adjusted EPS	131.4	(51.4)	204.7	38.9	9.5
Profitability & Return ratios (%)					
EBITDA margin	16.1	13.6	19.0	20.1	19.5
EBIT margin	11.5	8.1	13.3	14.6	14.2
Adjusted profit margin	4.7	2.4	6.4	7.8	7.8
Adjusted ROAE	11.5	5.1	14.3	17.1	16.0
ROCE	12.5	7.6	13.1	15.6	15.7
Working capital days (days)					
Receivables	16	18	17	16	15
Inventory	79	76	77	78	79
Payables	39	30	32	33	32
Ratios (x)					
Gross asset turnover	0.8	0.7	0.8	0.8	0.9
Current ratio	1.0	1.2	1.2	1.3	1.5
Net interest coverage ratio	2.5	1.6	3.2	4.3	4.8
Adjusted debt/equity	0.9	0.9	0.8	0.6	0.4

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

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Note: Recommendation structure changed with effect from 21 June 2021

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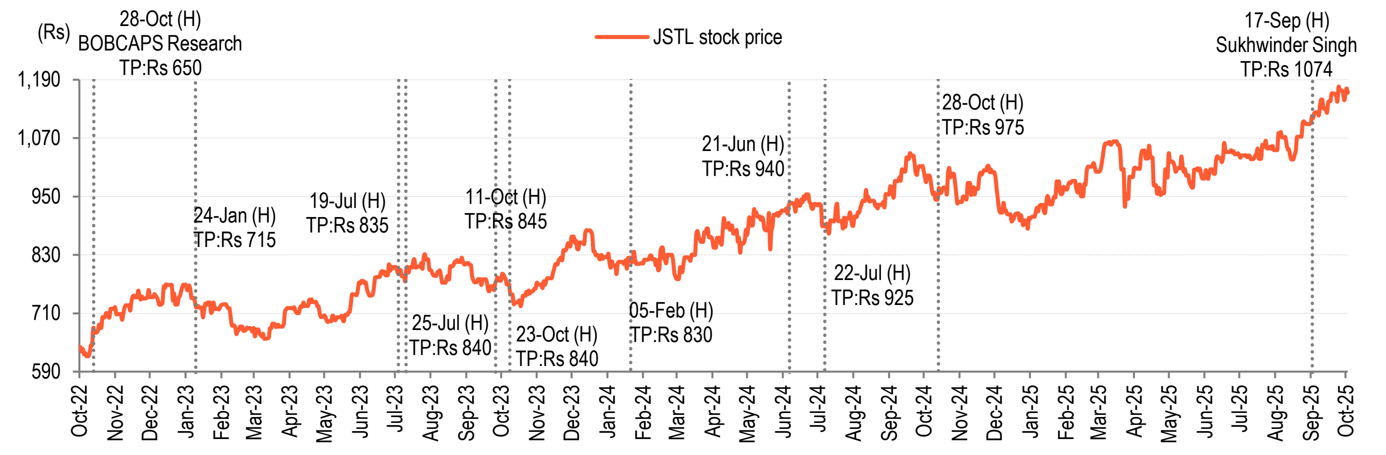
Ratings and Target Price (3-year history): JSW STEEL (JSTL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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